

Section 18a: Results of Actuarial Comparability Analysis

March 5, 2010

Goals

- Understand Section 18a
- Discuss Actuarial Comparability
- Discuss Results of Analysis
- Next Steps

Purpose of Section 18a

- Question is who pays the costs of health care
- Section 18a shifts Medicare covered costs from the City to the Federal Medicare program

Section 18a Requirements

- Section 18a is a State law* that, when adopted, requires retirees (Medicare-eligible retirees, spouses and dependents), who retire after the date of adoption of the local option by the City Council, to enroll in a Medicare supplemental plan (also called a “senior” plan)
- An exception is provided for retirees who have a non-Medicare-eligible dependent who must be covered by a family plan.
- Local option requires City Council vote
- Retirees would be covered by Medicare Parts A and B, plus City-sponsored Medicare supplemental plan
- Medicare plus City-sponsored plan must together offer benefits that are of “comparable actuarial value” to existing plan

*Section 18a of Massachusetts General Laws Chapter 32B

Actuarial Comparability Analysis

City's Goal: To provide at least one actuarially comparable senior plan to City of Boston retirees

- Living in Massachusetts
- Living outside of Massachusetts
- City hired The Segal Company actuaries to perform analysis for actuarial comparability
- Actuarial analysis provides a standardized way to compare plans with different benefit designs, by comparing the percentage of a plan's benefit payout borne by the enrollee through out-of-pocket costs.

Actuarial Comparability Analysis

- Step 1. Compare basic benefit offerings and provider networks of all six City of Boston Senior plans.
 - All Senior plans fundamentally offer coverage of same service categories, and pharmaceuticals. Minor differences, i.e. chiropractic covered in some plans.
 - Three Senior plans have limited networks: Medicare HMO Blue, Tufts Medicare Preferred, and Harvard First Seniority.
 - Three Senior plans have networks comparable to City's non-Medicare plans: Master Medical A&B Carve-out, Tufts Medicare Complement, and BCBS Managed Blue for Seniors.
 - City investigated Harvard Pilgrim Medicare Enhanced, not currently a City plan. City next needs to do a systematic review of best combination of senior plans so all retiree needs are met, but enrollment is not too disbursed.

Actuarial Comparability Analysis

- Step 2. Further review of three City senior plans:
 - Master Medical A&B Carveout – Master Medical benefits, Blue Cross providers in and out of state; benefit structure (out-of-pocket costs to enrollee) comparable to all plans.
 - Tufts Medicare Complement – Closely comparable benefit structure and network as Harvard HMO.
 - BCBS Managed Blue for Seniors – Comparable network, but Rx benefit structure not comparable for some enrollees.
 - Focused analysis on **Master Medical A&B Carveout** and **Tufts Medicare Complement**.

Actuarial Comparability Analysis

City of Boston
HPHC HMO/POS and Tufts Medicare Complement Network Comparison
Based on the City's FY2008 Actual HPHC Utilization for Members Age 60 & Older
UPDATED April 16, 2009

Percent of In-Network Utilization	All Service Providers		Excludes Ambulance, DME, Emergency Medicine, Pathology, and Radiology Providers ¹	
	HPHC HMO/POS	Tufts Medicare Complement	HPHC HMO/POS	Tufts Medicare Complement
Utilization² (FFS & Capitations)				
Hospital	99.4%	97.8%	99.4%	97.8%
Physician / Other Providers ³	98.0%	97.1%	98.2%	97.6%
Composite	98.5%	97.3%	98.9%	97.7%
FFS Claim Dollars⁴				
Hospital	99.2%	96.6%	99.2%	96.6%
Physician / Other Providers	95.6%	94.9%	97.6%	96.4%
Composite	98.0%	96.0%	98.8%	96.6%

1. The use of these services are often considered to be less disruptive as the specific providers of these services are not typically selected by the member.

2. Depending on the provider type, Utilization Counts include such things as inpatient days, outpatient visits, and office visits.

3. Other Providers includes non-physician based services (e.g., pathology, DME, etc.).

4. Includes fee-for-service (FFS) claim dollars only as capitation payments are not available by provider. Capitation payments represented approximately 14% of total payments for this group. 100% of the capitated provider utilization would have been in the Tufts Medicare Complement network.

Additional Notes:

- Results are based on health plan's self-reported networks.
- Analysis is based solely on whether the City's FY2008 utilization would have occurred in each plan's respective network.
- Analysis does not reflect any anticipated shifts in utilization due to an implementation of a new network.



Actuarial Comparability Analysis

- Step 3. Estimated the total annual medical costs for an average City of Boston retiree, and the share of those costs paid by the retiree through out-of-pocket (OOP) co-pays and deductibles
 - Used City of Boston annual utilization rates of medical services by City of Boston retirees over 65 in HPHC, i.e. # surgical days, emergency room visits, generic and brand name drugs.
 - Applied standard fee schedules to each service (Hospital/MD based on Medicare, Rx based on national average costs)
 - Calculated all co-pays and deductibles for each benefit design
- Results are good faith estimates; can change with different utilization patterns and related service costs
- Segal using professional judgment and experience

Actuarial Comparability Analysis

Example of Analysis for one plan

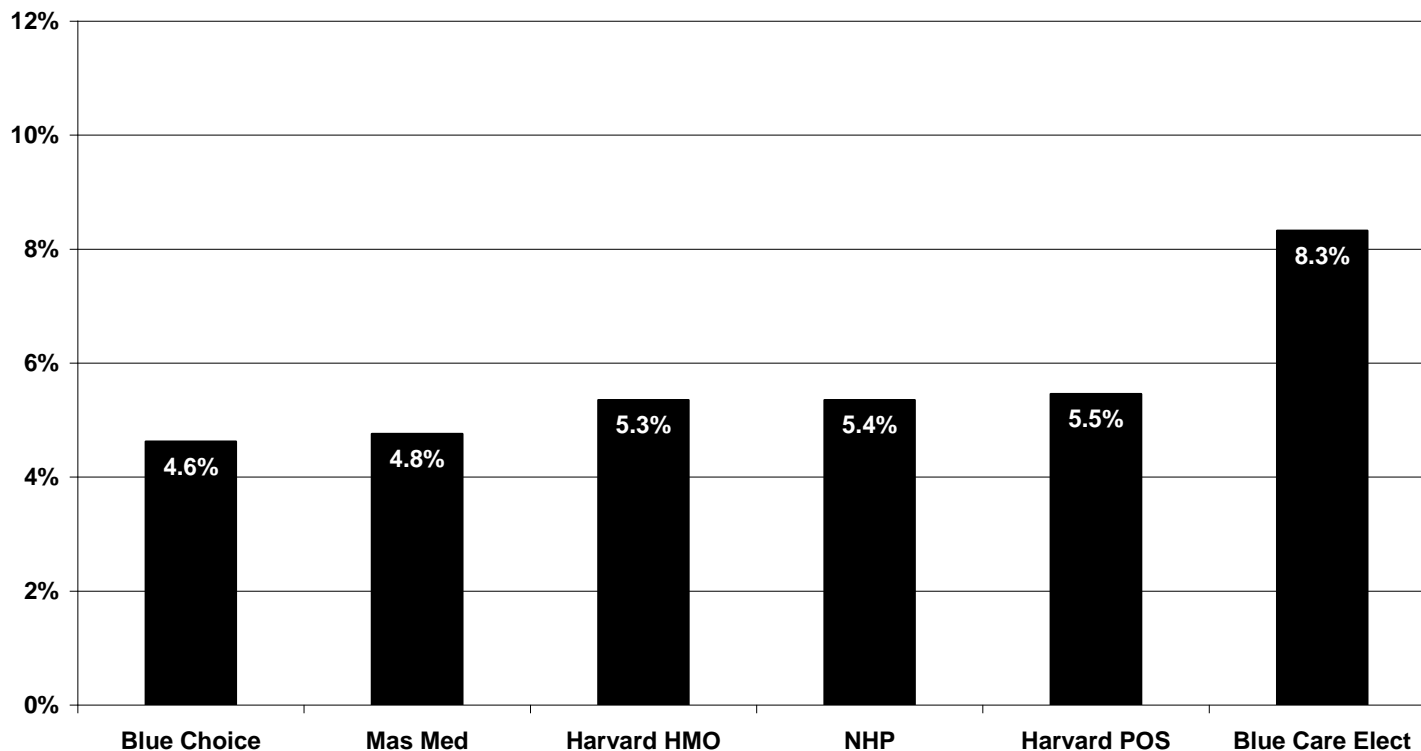
Harvard HMO			
	Total	Plan	Ret
Rx	\$4,039	\$3,623	\$417
Phys	\$1,305	\$1,202	\$103
Other	\$1,123	\$1,017	\$106
Hosp Outp	\$1,467	\$1,461	\$6
Hosp Inp	\$3,887	\$3,887	\$0
	\$11,822	\$11,189	\$632
		94.6%	5.3%

Actuarial Comparability Analysis

- Step 4. - Compare Retiree Out-of Pocket (OOP) Expenses, as percentage of total costs, across different plans

Actuarial Comparability Analysis - Results

Estimated Individual Retiree Out-of-Pocket (OOP) Costs
as Percentage of Total Medical Costs

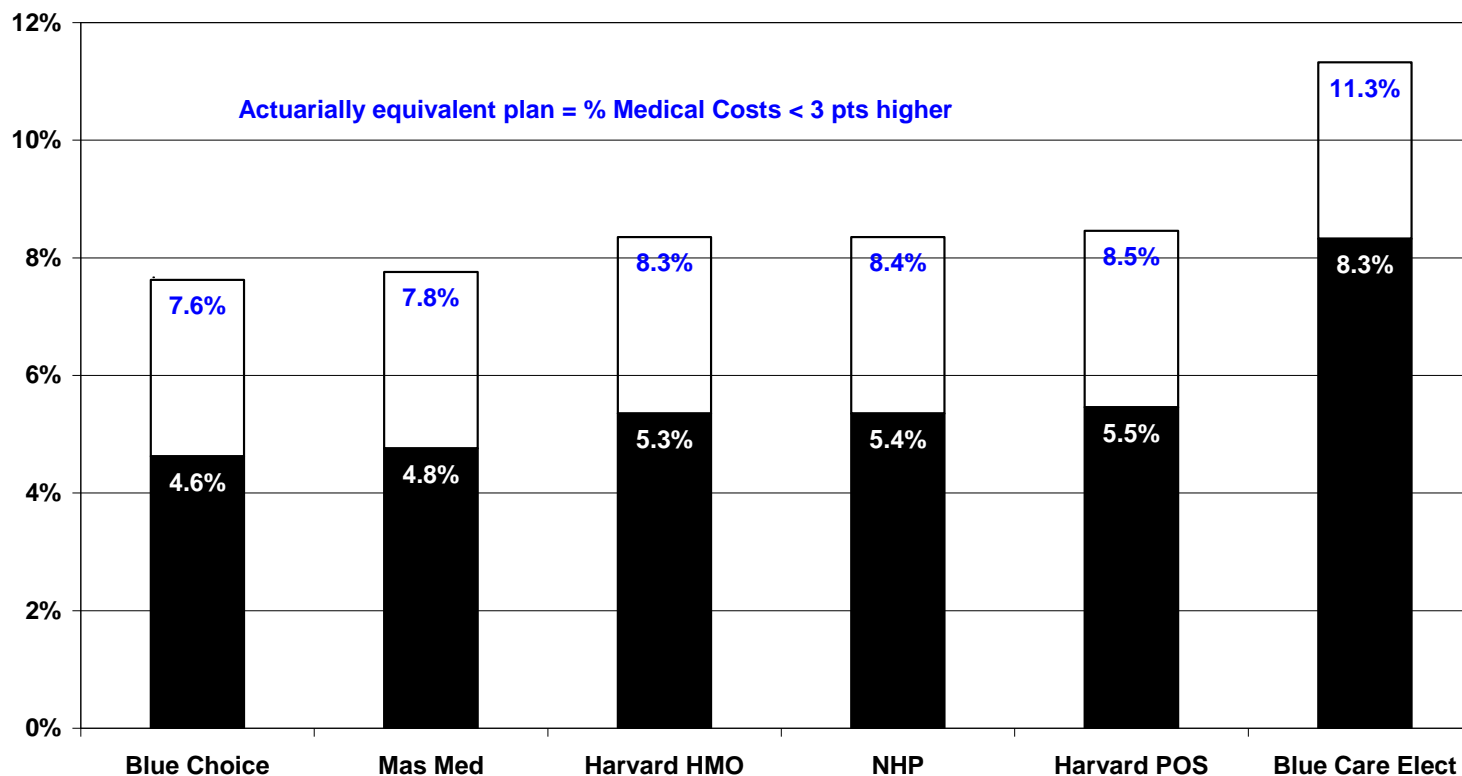


Actuarial Comparability Analysis - Results

- How close is “actuarially comparable?”
- Actuarial firms use anywhere from 2-5 percentage point variation as comparable
- City targeted no more than 2-3 percentage point difference in amount individual pays in active plans compared to senior plans
- For example, comparable benefits to Blue Choice’s 4.6% OOP expenses would be a plan with no more than 7.6% OOP

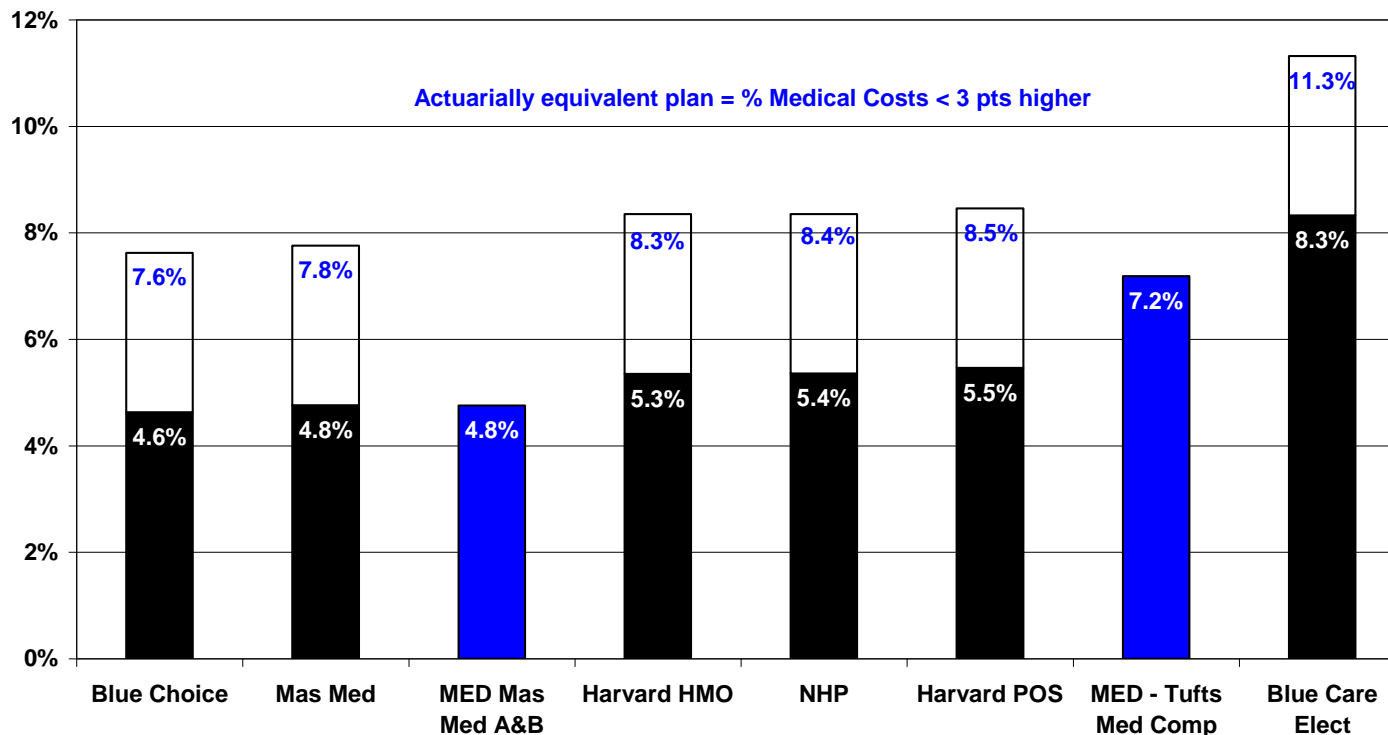
Actuarial Comparability Analysis -Results

Estimated Individual Retiree Out-of-Pocket (OOP) Costs
as Percentage of Total Medical Costs



Actuarial Comparability Analysis -Results

Estimated Individual Retiree Out-of-Pocket (OOP) Costs
as Percentage of Total Medical Costs



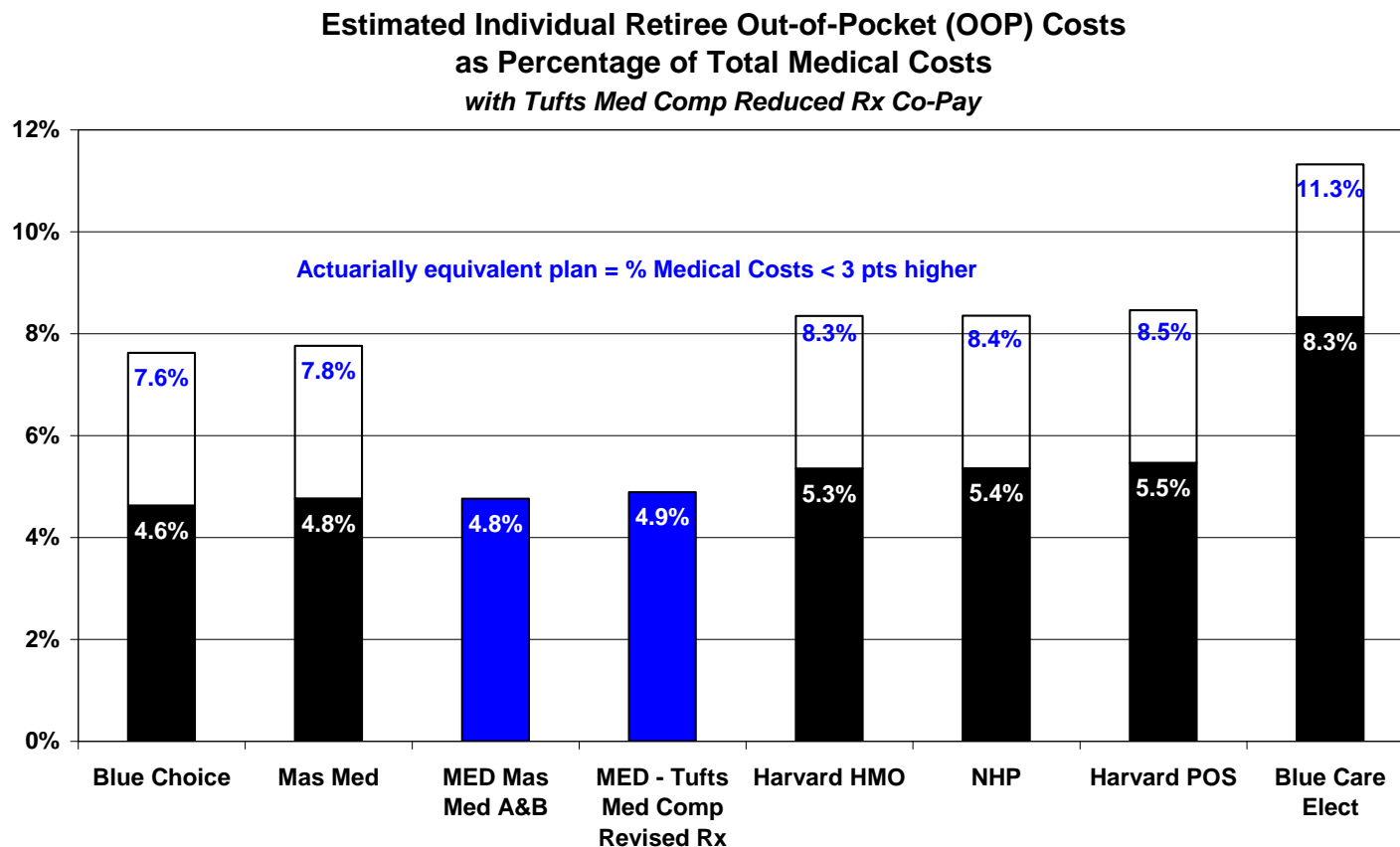
Actuarial Comparability Analysis - Results

- Master Medical AB Carveout and Tufts Medicare Complement meet the legal test of Actuarial Comparability for All Plans:
 - Employee percentage of payouts under all non-Medicare plans is within 3% points of payout under both plans

Actuarial Comparability Analysis - Results

- Biggest area of difference for Tufts Med Comp is due to Pharmacy Benefit co-pay.
- Despite Tufts Med Comp meeting actuarial comparability, City is lowering Pharmacy co-pay to be in line with the Harvard/NHP HMO plans
- Ran analysis again with lower Tufts Med Comp Rx Co-Pay

Actuarial Comparability Analysis - Results



Actuarial Comparability Analysis

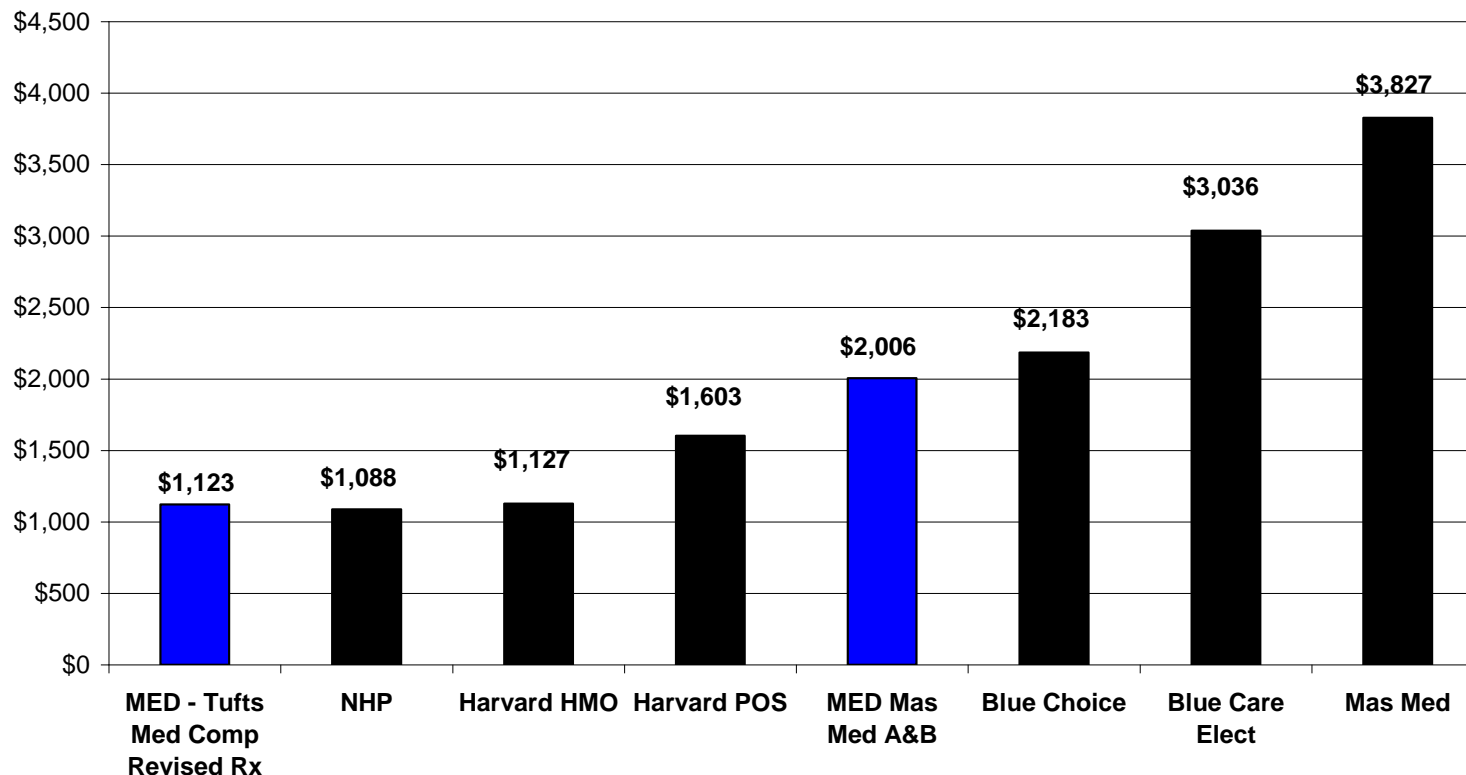
- Tufts Med Comp Retiree OOP costs are now *lower* than non-Medicare HMOs
- Offers easy transition

Additional Information

- City recognizes actuarial definition only includes out-of-pocket expenses
- City has analyzed total costs, including out-of-pocket expenses and retiree share of health plan and Medicare Part B premiums

Compare Total Participant Costs

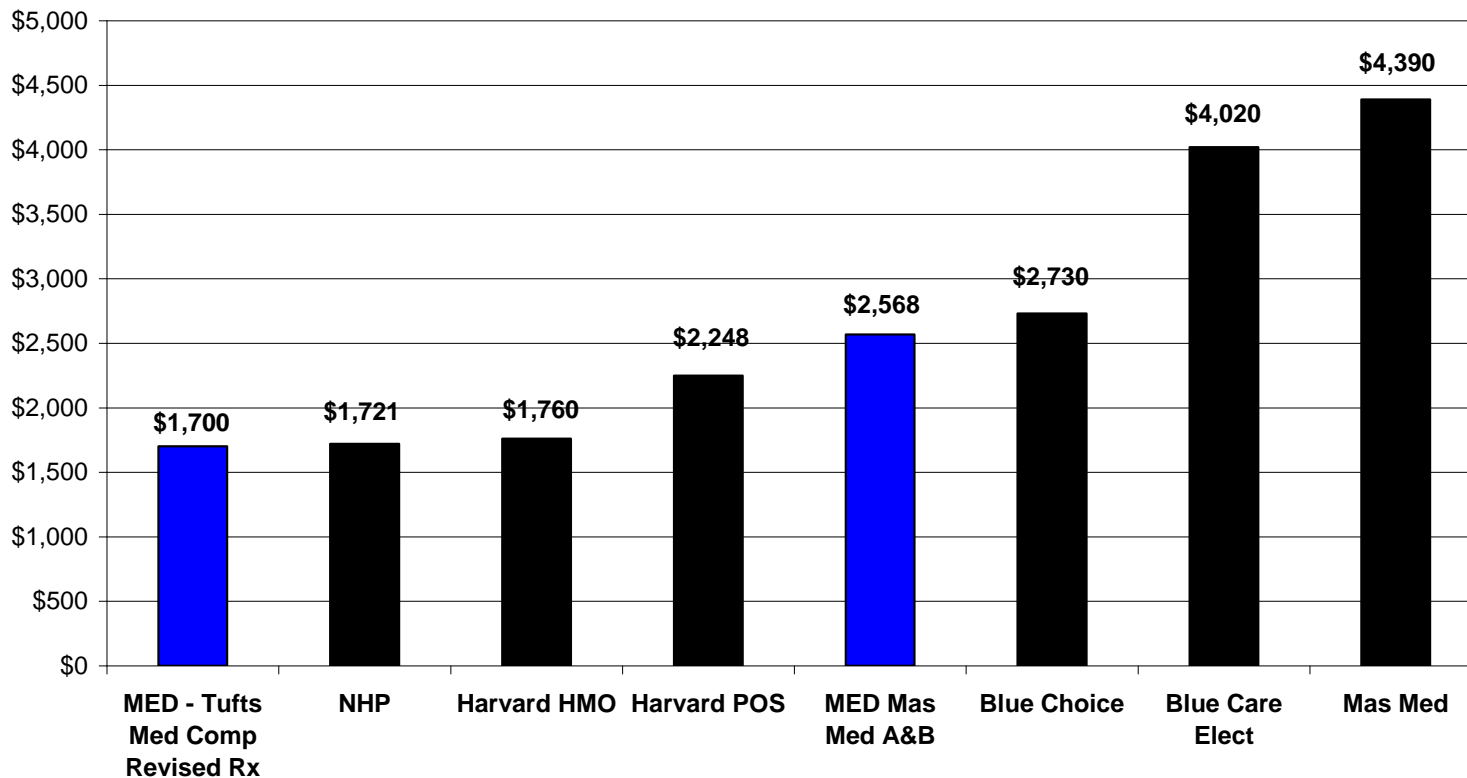
Annual FY11 Participant Costs Premiums* Only



* Participant share of Individual Healthplan Premium (15% HMO, 20% HPHC POS, 25% Indemnity) and 50% of Medicare Part B

Compare Total Participant Costs

Annual FY11 Participant TOTAL COSTS*



*Includes: Estimated Average Retiree Out-of-Pocket costs, Participant's share of Healthplan Premium, and 50% Medicare Part B premium

Adoption of Section 18a

- In each of the completed City's union negotiations, unions agreed in principle to support and/or not oppose the City's adoption of Section 18a
- City has started process to adopt Section 18a, effective July 1, 2010
- City will work through the adoption process with the unions

Discussion